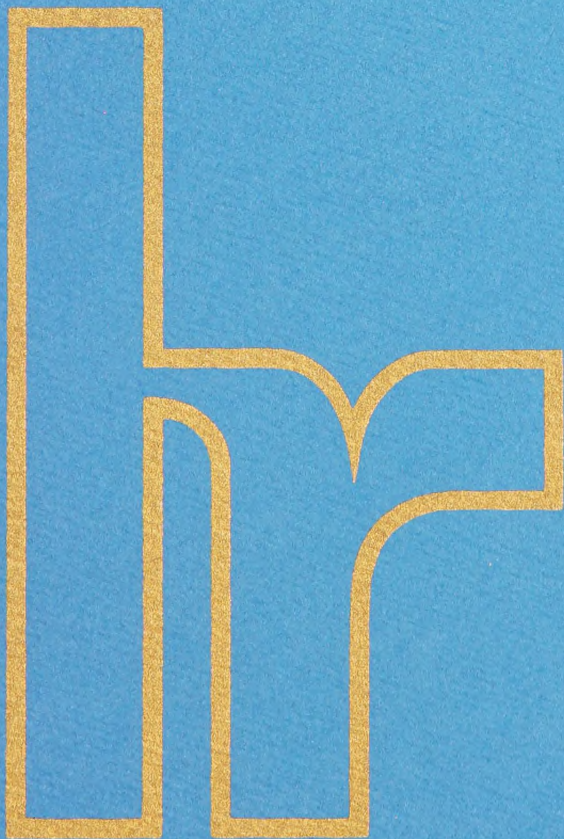


AR28

The Huntington-Rockford Corporation Limited



ANNUAL REPORT | 1969



THE HUNTINGTON-ROCKFORD CORPORATION LIMITED

| | |
|--------------------------|--|
| Andrew A. Carse | <i>President, Industrial Division, General Tire and Rubber Company of Canada Limited</i> |
| Gene E. Danne | <i>President, The Huntington-Rockford Corporation Limited</i> |
| Robert K. Isserstedt | <i>Regional Manager, Western Division, Education Coordinates Canada Ltd.</i> |
| Dr. Frederick W. Minkler | <i>Chairman of the Board, Education Coordinates Canada Ltd.</i> |
| Simon B. Scott | <i>Solicitor, Borden, Elliot, Kelley & Palmer</i> |
| Alastair Stevenson | <i>President, Wills, Bickle & Company Limited</i> |
| Robert W. Sydia | <i>Vice-President, The Huntington-Rockford Corporation Limited</i> |

DIRECTORS

| | |
|--------------------------|--|
| Gene E. Danne | <i>Chairman of the Board and President</i> |
| Robert W. Sydia | <i>Vice-President</i> |
| Theodore T. Cadeau, C.A. | <i>Treasurer</i> |
| Simon B. Scott | <i>Secretary</i> |

OFFICERS

The Canada Trust Company, Toronto

TRANSFER AGENT AND REGISTRAR

Borden, Elliot, Kelley & Palmer, Toronto

SOLICITORS

Price Waterhouse & Co., Toronto

AUDITORS

The Huntington-Rockford Centre, 1 Valleybrook Drive, Don Mills, Ontario.

HEAD OFFICE

THE HUNTINGTON-ROCKFORD CORPORATION LIMITED

TO THE SHAREHOLDERS:

Your directors are pleased to present the financial statements for the year ended June 30, 1969, and to review the growth of your company and the expansion of its activities.

During the year 284,250 shares were issued, yielding \$786,275 to your treasury. These funds have enabled the company to proceed with the organization and development of our education and industrial consulting services, as outlined in the prospectus issued last February when the company made its first public stock offering.

Management has invested a considerable portion of these funds in the hiring of highly qualified professional personnel in order to take full advantage of our agreement with Educational Coordinates Inc. of Palo Alto, California, and in the acquisition of shares of subsidiary companies deemed to complement the nucleus of our own organization.

In early September, four Toronto locations were combined when your company moved into its new headquarters, the Huntington-Rockford Centre at 1 Valleybrook Drive, Don Mills.

With a strong, experienced management team, Huntington-Rockford looks forward to a profitable year of growth in all areas of company activities.

CORPORATE GROWTH

Last May, your company formed Education Coordinates Canada — recently incorporated — a new consulting and research division, following an agreement reached with Educational Coordinates Inc. of California to share knowledge and experience in educational programs and computer systems. Huntington-Rockford now has exclusive rights for Canada to the Stanford Group's S-4 system — the most efficient flexible modular timetabling system in existence for secondary schools and universities.

The new S-4 system will enable your company to go far beyond the success it has already achieved through its computer-assisted timetabling system S.O.S. (Student Oriented System).

Both systems were created and designed to reduce the heavy expenditure of man hours by school officials in building timetables for educational institutions. With the trend in education towards ungraded schools, where the student has the option to choose any subject in any grade, building timetables by manual methods has become an increasingly burdensome and time consuming task.

The agreement with the California company, together with the creation of ECC — staffed with highly qualified

Canadian educators — have made Huntington-Rockford the largest educational consulting firm in Canada.

For the benefit of new shareholders, I might add that ECC serve as consultants to boards of education, administrators and individual schools in a great variety of ways, including student scheduling for traditional schools and flexible modular scheduling for innovative schools; testing; report card processing; counselling on data centres and surveys that will assure the proper allocation of resources for each school. In short, the purpose of ECC is to marry education and modern technology in order to make the administration and operation of educational institutions as efficient and, therefore, as economical as possible.

The Ontario Department of Education in its 1969-70 guidelines for Secondary School Organization states that one of the four basic objectives for school planning in the seventies is "the creation of individual timetables for students in relation to their changing patterns of needs and interests, abilities and achievements."

In the large and increasingly complex high schools of Ontario, it has become clear that this instruction from the Department of Education can be met only by the use of the computer in the timetabling process. In view of the great diversity found among Ontario's secondary schools, ECC is uniquely equipped in this regard by the fact that it can provide three distinct timetabling programs, each of which is capable of local modification.

The creation of a new system of county boards of education throughout Ontario during the past year has resulted in the reorganization of the total educational system. With the initial stages of reorganization now completed, these new and larger school boards are turning in increasing numbers to ECC for a wide range of educational and administrative consulting and computer services. As a result, ECC expects to enter into 350 agreements in the current year with educational institutions for the provision of these services.

Huntington-Rockford has been fortunate in attracting a group of very capable educators and administrators. Charles J. McCaffray, former assistant superintendent of curriculum with the Ontario Department of Education and an advisor to the Manitoba Department of Education, joined ECC in July. In mid-September, Dr. Frederick W. Minkler, former director of education for North York and one of Canada's outstanding administrators in education, was appointed chairman of the board of governors of ECC. Another recent appointment is Norman Williams who now serves as director, Computer Services Division, and who was formerly superintendent of computer services, North York Board of Education. In mid-November,

Robert W. Sydia, a director and vice-president of your company, was appointed president of ECC.

Education Coordinates now has offices operating in Toronto, Vancouver, Winnipeg and Montreal in order to take advantage of the widespread and expanding requirements of educational institutions in these growth regions.

Corporate acquisitions during the year included Input-Output Services Limited, a Toronto-based service bureau, serving as a data creation centre to industry and educators as well as divisions of your company, and Canadian Education Computing Services, a Toronto company which developed report cards, attendance records, test programs and timetables for schools, and has now become a part of ECC.

Since the year end, the company has reached agreement in principle to acquire Capilano Education Consulting Services Limited, a Vancouver firm of education consultants.

Management is pleased with the widespread reputation that ECC has established in such a short period of time, as well as with the rapid growth in the number of contracts and with the demand that our services have created among educational institutions across Canada.

INDUSTRIAL GROWTH

We are also pleased to report growth and expansion in the industrial sector of your company's services, including Huntington-Rockford Associates, the industrial consulting division, the data creation division — referred to earlier with the acquisition of Input-Output Services Limited — and the establishment of a new insurance division of the company which is now marketing a unique computerized accounting and control system to general insurance agencies.

This accounting system was well received by Ontario insurance agents at their annual meeting in Toronto in October, where the company had a display and information booth.

Huntington-Rockford Associates has just completed large feasibility studies for both a major Canadian mining corporation and a major gas utility, and the industrial division of your company is at present designing and implementing a management information system for a large firm of consulting engineers.

Since the year end, Huntington-Rockford has formed an equal partnership with Acres Limited, a Canadian firm that enjoys a world-wide reputation as engineering consultants. The partnership, known as Acres-Huntington, was formed to undertake specific projects, some of them now in the negotiation stage.

OUTLOOK

The outlook for your company is promising and management has every reason to anticipate a year of continued growth and progress.

We shall continue to explore potential markets throughout Canada and abroad for the many services we can offer.

Huntington-Rockford International is at present negotiating with United Nations' agencies (United Nations Educational, Scientific and Cultural Organization, the International Labour Organization and the Food and Agricultural Organization) concerning our education services, and we hope to have further news to report to shareholders in the near future.

During the year ended June 30, rapid expansion took place in both facilities and personnel. Since becoming a public company in February, the total number of employees has grown from 12 to 63. Major new educational systems have been developed and existing systems improved in order to further extend the lead your company has established in the education field.

Shareholders will be pleased to know that within the short period of time that ECC has been established in Manitoba, your company today has contracts with educational institutions in that province that represent 26.1% of the total student population.

It is important to point out to shareholders that in all of our services — both education and industrial — we purchase computer time from your company's industrial clients at economical rates. Your company does not intend to tie-up revenue in expensive computer equipment when we are able to provide efficient services by much more economical means.

In the current year, management is pleased with the performance in all divisions — Pacific, Western and Central.

With all major expenditures out of the way and deferred development costs written off we look forward to a year of growth, progress and strong performance.

On behalf of the board,



President

THE HUNTINGTON-ROCKFORD CORPORATION LIMITED

THE MANAGEMENT TEAM



GENE E. DANNE,
B.A. Econ., M.B.A. – President,
The Huntington-Rockford Corporation
Limited



ROBERT W. SYDIA,
P.Eng., M.B.A. – Vice-President,
The Huntington-Rockford Corporation
Limited; President, Education
Coordinates Canada Ltd.



THEODORE T. CADEAU,
C.A. – Treasurer, The Huntington-
Rockford Corporation Limited



ROBERT W. TYRRELL,
B.A., Math hon., – Director,
Huntington-Rockford Associates



ERNEST W. LAWSON,
A.M.I. (Gt. Brit.) – Director,
Huntington-Rockford Insurance
Division



JOSEPH T. NICKELSON,
Director,
Huntington-Rockford International



DR. FREDERICK W. MINKLER,
B.A.; D.Paed.; LL.D.
Chairman of the Board,
Education Coordinates Canada Ltd.



CHARLES J. McCAFFREY,
B.A., F.R.G.S. – Director,
Consulting Services,
Education Coordinates Canada Ltd.



NORMAN WILLIAMS,
B.A. – Director,
Computer Services,
Education Coordinates Canada Ltd.



STEPHEN D. SCHWAB,
Manager, Pacific Region,
Education Coordinates Canada Ltd.



ROBERT K. ISSERSTEDT,
B.A. – Manager, Western Region,
Education Coordinates Canada Ltd.



JOHN L. CLARK,
B.A. – Manager, Central Region,
Education Coordinates Canada Ltd.



DR. LEONARD A. WESTON,
PhD. Econ., P.Eng., M.B.A. –
Director, International Developments
Huntington-Rockford International



SHIRLEY BRYANT,
Manager,
Input-Output Services Limited

THE HUNTINGTON-ROCKFORD CORPORATION LIMITED
AND SUBSIDIARY COMPANIES

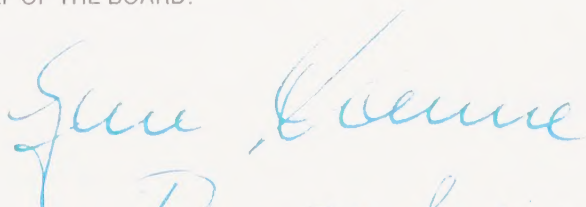

CONSOLIDATED BALANCE SHEET

ASSETS

| | June 30 | |
|---|------------------|-----------------|
| | 1969 | 1968 |
| Current Assets: | | |
| Cash | \$ 90,547 | \$ 3,904 |
| Term deposit | 320,000 | — |
| Receivables | 54,233 | 2,928 |
| Prepaid rent | 21,401 | — |
| | <u>486,181</u> | <u>6,832</u> |
| Prepaid Charges (Note 2) | 57,914 | — |
| Mortgages Receivable from Officers | 24,200 | 7,300 |
| Investment in Shares of Acres-Huntington Limited, at cost | 20,000 | — |
| Office Furnishings and Equipment, at cost less accumulated depreciation of \$12,758; 1968 — \$1,824 | 42,333 | 7,295 |
| Deferred Development Costs | — | 60,000 |
| Incorporation Fees | — | 1,031 |
| | <u>\$630,628</u> | <u>\$82,458</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | June 30 | |
|--|------------------|-----------------|
| | 1969 | 1968 |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 50,798 | \$18,061 |
| Accounts payable — Educational Co-ordinates, Inc. | 37,914 | — |
| Loans payable to employees | — | 15,000 |
| Advances from directors | — | 4,356 |
| | <u>88,712</u> | <u>37,417</u> |
| Deferred Income Tax | — | 6,950 |
| Deposits on Employee Stock Options | 3,575 | — |
| Minority Interest in Subsidiary, net of Share subscription due from minority shareholders | — | 3,000 |
| Excess of Equity in Subsidiary Company at Acquisition over Cost of Investment | — | 4,190 |
| Shareholders' Equity: | | |
| Capital stock — (Notes 3 and 4) | | |
| Authorized — | | |
| 1,000,000 shares without par value | | |
| Issued — | | |
| 628,150 shares | 816,682 | 10,007 |
| Retained earnings (deficit) | (278,341) | 20,894 |
| | <u>538,341</u> | <u>30,901</u> |
| APPROVED ON BEHALF OF THE BOARD: | <u>\$630,628</u> | <u>\$82,458</u> |

 Director
 Director

AUDITORS' REPORT

To the Shareholders of

The Huntington-Rockford Corporation Limited:

We have examined the consolidated balance sheet of The Huntington-Rockford Corporation Limited and subsidiary companies as at June 30, 1969 and the consolidated statements of revenue and expenditure and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pricewaterhouse Co.

Chartered Accountants

Toronto, September 10, 1969

**CONSOLIDATED STATEMENT OF REVENUE AND
EXPENDITURE AND DEFICIT**

| | Year ended June 30 | |
|---|--------------------|-----------|
| | 1969 | 1968 |
| Revenue: | | |
| Consulting services | \$ 66,279 | \$ 68,431 |
| School system | 76,998 | 6,875 |
| Investment income | 7,268 | — |
| | 150,545 | 75,306 |
| Expenditure: | | |
| Salaries, commission and employee benefits | 191,066 | 51,096 |
| Consulting fees | 3,845 | 3,264 |
| Advertising, promotion and travel | 49,615 | 14,323 |
| Car leases and expenses | 16,787 | 9,445 |
| Equipment rental | 51,679 | 6,262 |
| Depreciation | 11,019 | 1,670 |
| Rent | 13,704 | 5,660 |
| Printing, postage and stationery | 11,101 | 5,358 |
| Telephone | 5,412 | 3,840 |
| General office expense | 6,670 | 5,171 |
| Accounting and legal | 18,240 | — |
| Interest | 3,812 | — |
| | 382,950 | 106,089 |
| Development and organization costs written off (deferred) | 73,930 | (60,000) |
| | 456,880 | 46,089 |
| Profit (loss) before income taxes | (306,335) | 29,217 |
| Provision for income taxes | (7,100) | 6,950 |
| Net profit (loss) for the year | (299,235) | 22,267 |
| Retained earnings (deficit) at beginning of year | 20,894 | (1,373) |
| Retained earnings (deficit) at end of year | (\$278,341) | \$ 20,894 |

NOTES

NOTES



*The Huntington-Rockford
Corporation Limited*



LETTER TO SHAREHOLDERS/JULY 1969

JULY 25, 1969.

Dear Shareholder :

On behalf of the board of directors I wish to welcome our new shareholders and to inform all of you of your company's current activities, developments and acquisitions.

The Huntington-Rockford group of wholly-owned and affiliated companies now comprise :

Acres-Huntington Limited
Education Coordinates Canada
Huntington-Rockford Associates
Huntington-Rockford (International)
Input-Output Services Limited
The Stockcross Company Limited

Commencing August 15, 1969, all Metropolitan Toronto operations will be housed at the Huntington-Rockford Centre, the corporation's new head office at 1 Valleybrook Drive, Don Mills, Ontario.

In addition to the new Centre, your company now has branch offices in Winnipeg, Vancouver and in Zurich, Switzerland. Expansion, planned for the next two years, includes establishment of branch offices in Montreal, Regina, Calgary and London, England.

Acres-Huntington Limited

This company was recently formed in equal partnership with Acres Limited, of Toronto, Ontario, one of the world's largest engineering consulting firms. While it would be premature to disclose details of contracts that are under negotiation and/or discussion, it may be said that the new company was established and designed to develop and implement computer-based information utilities and, as such, will complement the existing industrial consulting division of your company.

Industrial Consulting Division

Current contracts with this division include those with :

Noranda Mines Limited
Massey-Ferguson Industries Ltd.
Consumers' Gas Company
H. G. Acres & Co. Ltd.
Molson's Breweries (Ontario) Ltd.
Stevenson & Kellogg Ltd.

Recent Acquisitions

During the past month, Huntington-Rockford completed the acquisition of two Toronto-based computer-oriented companies :

- Canadian Education Computing Services, which develops timetables, report cards, attendance records and test programs for Canadian secondary schools and becomes a part of Education Coordinates Canada, your company's education division ; and
- Input-Output Services Limited, a keytape service bureau which has contracts with a number of major industries and government agencies, including the Ontario Department of Education. As a wholly-owned subsidiary of Huntington-Rockford, it will complement both the education and industrial consulting divisions of your company.

New Appointments and Progress

The number of highly specialized employees of your company has grown from 12 to 31 in the past five months.

Effective July 1, 1969, Charles J. McCaffray, former assistant superintendent of curriculum with the Ontario Department of Education, has been appointed man-

aging director of Education Coordinates Canada, a new consulting and research division of your company. As coordinator of academic subjects for the Department of Education, Mr. McCaffray was involved in most of the major innovations in secondary school curriculum and organization, particularly non-grading, credit system, choice of options and individual timetabling.

The establishment of Education Coordinates Canada climaxed an agreement in May of this year between your company's education subsidiary, Stockcross Company Limited, and Educational Coordinates Inc., of Palo Alto, California – better known as the Stanford Group.

This group of seven Stanford University professors, with the aid of a three-million-dollar Ford Foundation grant, developed the only computer-generated timetabling system capable of flexible, modular scheduling for schools. The significance of this unique flexible, modular timetabling system is that it is the only system developed to date that effectively meets the need for individual timetabling in nongraded schools, whereby each student chooses his own subjects from the total curriculum – technical, commercial and academic.

Our agreement with Educational Coordinates Inc. gives Stockcross Company Limited exclusive rights to the Stanford Group's S-4 system in Canada, Europe and all Commonwealth countries. The agreement also includes the rights to Stanford's unique simulation systems for building educational institutions and to the U.S. firm's future research findings.

The new S-4 system will enable your company to go far beyond the success it has already achieved through its computer-assisted timetabling system S.O.S. (Student Oriented System) and, with the addition of Education Coordinates Canada – a group of highly qualified Canadian educators – Huntington-Rockford Corporation hopes to become the largest educational consulting firm in Canada.

Following formation of Education Coordinates Canada and the opening of the Vancouver office in the Bentall Centre, Stephen D. Schwab has been appointed manager, Western Canada, for this new division of your corporation. Prior to his present appointment, Mr. Schwab was director of education consulting services for the Stockcross division of the corporation.

Robert K. Isserstedt moves from director, European operations, to regional manager of Education Coordinates Canada and will be located at the corporation's Winnipeg office in the new Richardson Tower. Mr. Isserstedt will assume responsibility for the division's operations in Manitoba, Saskatchewan and northwestern Ontario.

Education Coordinates will have permanent consultants in major centres across the country, and in addition to diagnostic consultation and research, will hold ten conferences annually across Canada on the theme "Innovations in Education".

Current Growth of Education Division

The growth of your company's education division has been remarkable during the current year. Five months ago, in February, your company had 24 contracts with schools in Ontario. Today, the company has a total of 99 contracts with secondary schools across Canada, including 74 schools in Ontario, 21 schools in Manitoba and two schools in both Saskatchewan and British Columbia.

A contract of 6 months duration is being worked on at the University of Iran to evaluate their program and curriculum.

The directors are optimistic about the future of Huntington-Rockford Corporation and will keep you informed of all new developments.



G. E. Danne,
President



Dominion Bureau of Statistics estimate a 1968-69 Canadian school enrollment of 5,958,654 students in 19,256 schools, colleges and universities, making education one of Canada's largest industries.



Canada has the largest per capita school population in the world, with over 50% of our population 25 years of age or younger.



Current trends in Canadian education, and elsewhere, are toward the ungraded school system where each student has to be scheduled individually, making it a formidable task to build timetables manually.



*The Huntington-Rockford
Corporation Limited*

1 Valleybrook Drive,
Don Mills, Ontario, Canada

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

This prospectus constitutes a public offering of these securities only in the jurisdiction in which they may be lawfully offered for sale.

New Issue

The Huntington-Rockford Corporation Limited

(incorporated under the laws of the Province of Ontario)

200,000 SHARES

Without Par Value

PRICE: \$2.50 per share

We, as principals, offer these 200,000 shares without par value in the capital of The Huntington-Rockford Corporation Limited (the "Company") if, as and when issued by the Company and accepted by us, subject to prior sales and subject to the approval of all legal matters on our behalf by Lang, Michener, Cranston, Farquharson & Wright, Toronto, and on behalf of the Company by Borden, Elliot, Kelley & Palmer, Toronto, Ontario.

| | Price to Public | Underwriting Discount | Proceeds to Company* |
|-----------|-----------------|-----------------------|----------------------|
| Per Share | \$ 2.50 | \$ 0.20 | \$ 2.30 |
| Total | \$500,000 | \$40,000 | \$460,000 |

* Before deducting expenses of issue estimated at \$10,000

THESE ARE SPECULATIVE SECURITIES. REFERENCE IS MADE TO
PAGE 10 OF THIS PROSPECTUS UNDER THE HEADING
"SPECULATIVE NATURE OF SECURITIES."

Subscriptions will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates in definitive form will be available for delivery on or about March 1, 1969.

There is at present no public trading market for these shares. The offering price was determined by agreement between the Underwriter and the Company, and reference is made to page 10 of this prospectus under the heading "Plan of Distribution".

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THE COMPANY

The Huntington-Rockford Corporation Limited (the "Company") was incorporated under the laws of the Province of Ontario by letters patent dated March 15, 1967, under the name of Cadogan Corporation Limited. By supplementary letters patent dated December 31, 1968, the name of the Company was changed to The Huntington-Rockford Corporation Limited, its authorized capital was increased to 1,000,000 shares without par value, the 327 issued common shares then outstanding were subdivided into 327,000 shares without par value, and the Company was converted into a public company.

The Company's head office and principal place of business is located at 1262 Don Mills Road, Don Mills, Ontario. The Company's operations in Europe are managed from 31 Menbijou, Bern, Switzerland.

THE SUBSIDIARY

Stockcross Company Limited ("Stockcross") was incorporated under the laws of the Province of Ontario as a private company by letters patent dated December 14, 1966. It is a wholly-owned subsidiary of the Company and carries on an education consulting business as described on page 4.

The head office and principal place of business of Stockcross is the same as that of the Company.

MANAGEMENT

The Company was founded by Gene E. Danne, its President, and Robert K. Isserstedt, its Vice-President.

Mr. Danne has had 13 years of experience in the marketing and use of computers in both European and North American businesses. He was employed in the field of electronic data processing equipment sales with National Cash Register Company of Canada Limited, first in Germany for two years, and subsequently in Canada for six years, following a transfer by that company. In 1964, Mr. Danne joined Univac Division of Sperry Rand Canada Limited. In 1965, he left Univac to join the Electronic Data Processing Division of Honeywell Controls Limited as a specialist in both the computer hardware and software fields. Mr. Danne is 38 years of age. After training in Austria and England, Mr. Isserstedt spent four and one-half years with Shell Canada Limited during which he was engaged in various applications of computer technology, primarily in the fields of market research and refinery systems. Mr. Isserstedt is 27 years old. Mr. Danne has been the President of the Company since its inception and President of Stockcross since July, 1967. Mr. Isserstedt is a Vice-President of both companies and is primarily responsible for management of the Company's activities in Europe.

Mr. Robert W. Sydiaha joined the Company in November, 1968, as a Vice-President responsible for Operations. He graduated from the University of Toronto in 1960 with a Bachelor of Engineering Degree, and became a communications engineer with Canadian Westinghouse Company Limited. In 1962, he joined Univac Division of Sperry Rand Canada Limited as Senior Sales Engineer. In 1966, he obtained a Master of Business Administration Degree from McMaster University, and in May of that year became Director of Marketing Support, Electronic Data Processing Division of Honeywell Controls Limited. In November, 1967 he became Data Processing Manager with Massey-Ferguson Industries Limited, a position which he held until joining the Company. He is 34 years old.

Messrs. Danne and Isserstedt have entered into employment contracts each of which is dated January 1, 1969 and Mr. Sydiaha has entered into an employment contract dated November 22, 1968. Each contract is for a term of three years and contains covenants for the protection of the Company and Stockcross.

Mr. Theodore T. Cadeau has entered into an employment contract dated January 1, 1969 for a three year term, and will join the Company on March 1, 1969, as Vice-President of Finance and Treasurer. Mr. Cadeau is a chartered accountant and since 1953 has been employed by National Cash Register Company of Canada Limited, most recently as Sales Manager, E.D.P. Division in Saskatoon. Mr. Cadeau is 45 years old.

BUSINESS OF THE COMPANY

The Company was formed for the purpose of carrying on business in the operations research and computer consulting fields. A controlling interest in Stockcross was acquired by the Company in November,

1967. On completion of the transactions referred to under the heading "Prior Sales" on page 9, Stockcross became a wholly-owned subsidiary. The education consulting program has been carried on by Stockcross, while the Company has been engaged in the industrial consulting field.

The present staff in Canada of the Company and Stockcross consists of 12 consultants including senior systems analysts, computer programmers and professional engineers with an average of eight years experience in the field of computer sciences. In addition, the Company and Stockcross employ on a free-lance basis 21 computer programmers and professional engineers. Experience of the staff was gained with large-scale computer users and manufacturers including IBM, Univac, Honeywell, NCR, Proctor & Gamble Company of Canada Limited, Shell Canada Limited and Simpson-Sears Limited, and consequently members of the staff have experience in a wide variety of computer equipment and applications.

Education Consulting

Development

Consideration of new markets for the application of computer technology led to the decision to develop a workable, easily-administered computer timetabling-system for Secondary Schools. Surveys by the Company's consultants in early 1967 showed that time-expenditure by school personnel was as much as 3,000 man-hours per year to build a timetable for a graded school, in which classes remain together throughout the school year. However, the trend in Canadian education was at that time towards ungrading and the introduction of subject promotion. With the introduction of the ungraded philosophy under which the student has the option to choose any subject in any grade, it was impractical to build a timetable manually. In ungraded schools, each student has to be scheduled individually and classes are made up of different students for each period. Consequently, instead of having to schedule 250 classes of approximately 30 students each, a school with a student body of 1,500 has to build 1,500 individual timetables.

A system ("System S.O.S.") was designed by Stockcross to provide the necessary computer programs to generate individual student timetables, master timetables for schools and a variety of related reports as described below.

In the initial stages of development of the programs, testing was done at Burlington Central High School. In order to test the developed computer programs, of which there are 87 in "System S.O.S.", four Ontario Secondary Schools (Park Street Collegiate, Orillia; South Carlton High School, Richmond; Thomas A. Blakelock and Gordon E. Perdue High Schools, Oakville) were selected as test schools, and during 1968 "System S.O.S." was successfully implemented in those schools. At the request of the schools, "Systems S.O.S." was expanded during the testing period to include other logical computer applications such as student report card generation and attendance reporting.

In order to publicize "System S.O.S." and to familiarize Secondary School principals with the system and with computer technology in general, Stockcross introduced in December, 1967, monthly "Headmasters' EDP Seminars", and the monthly "Canadian Educators' Newsletter" which is circulated to all Secondary School principals, superintendents and directors of education in Ontario. In addition, Stockcross consultants have made presentations of "System S.O.S." to Professional Development Conferences held for school principals and vice-principals by the Headmasters' Association of Ontario.

Current Operations

Stockcross offers a computer systems package for Secondary Schools known as "System S.O.S." (Student Oriented System), the most significant segment of which is the generation of master timetables for schools and individual timetables for students and teachers. The system includes Reportcard and Attendance Reporting Segments. Stockcross also offers consulting services to boards of education, development of programming problems for teaching computer science courses in Secondary Schools, and testing of student-produced computer programs.

The Timetabling Segment of "System S.O.S." is designed to utilize computers to develop timetables for both graded and ungraded Secondary Schools. The system makes it possible for master timetables for schools and individual timetables for students and teachers to be prepared with greater efficiency and speed than is possible by manual methods. "System S.O.S." enables schools presently operating under a single timetable for

the entire academic year to produce three or more timetables for each year and, if desired, to convert to a semester curriculum. This cannot be done within the normal time limits of manual timetabling methods. The time employed by school principals and staff in developing timetables manually may thus be greatly reduced. and, in addition, "System S.O.S." makes it feasible for schools to offer more balanced educational programs. From Student Subject Selection forms completed by the students, the following reports among others are generated for the school:

1. MASTER TIMETABLE — showing subjects, teachers and number of students in each room for each period.
2. BLOCK DETAILS — showing logical classes for all subjects and a list of conflicting classes.
3. CONFLICT SUMMARY — summarizing conflicts for all classes to be taught.
4. COMPOSITE TIMETABLE — showing all classes taught in each period by year.
5. ROUTE INDEX — summary of identical student timetables showing all subject combinations in the school; used for new or transfer students.
6. SPARE PERIOD REPORTS — showing for each period: available rooms and teachers as well as students not being taught; used for assignment of study periods and supervision.
7. INDIVIDUAL STUDENT TIMETABLES — showing for each period: room, teacher and subject taught.
8. TEACHER TIMETABLES — showing for each period: room, subject taught and number of students in class.
9. COURSE DEMAND — based on January survey showing all students' subject selections; used to allocate number of classes and as an aid to teacher hiring in the Spring.

In the Reportcard Segment of the system, information obtained from the schools is processed by computer to provide three Reportcards per school year for each student. In addition, this segment produces an alphabetical list of all students with pertinent and statistical information, records of student marks, course statistics, student standings and, with the final reports, a statistical record for individual students in the form prescribed by provincial departments of education. This segment also provides a performance report to the elementary school from which the student graduated.

In the Attendance Segment of the system, information relating to attendance obtained from the schools is processed by computer and generates the following monthly:

1. ATTENDANCE REPORT — a summary of each student's attendance in class order.
2. RESIDENCE REPORT — place of residence reports and summaries by class and school for the purpose of obtaining municipal grants.
3. GRADE AND CLASS SUMMARY — current and cumulative statistics, as required by provincial departments of education.

Outlook

"System S.O.S." is currently being marketed to Secondary Schools in Ontario and Manitoba only but will be marketed during 1969 to Secondary Schools in Saskatchewan, Alberta and British Columbia.

The potential market for the system in those provinces is illustrated by the fact that there are in Ontario 535 secondary schools with a student population of 465,000, in Manitoba 160 similar schools with a student population of 98,000, in Saskatchewan 308 similar schools with a student population of 107,000, in Alberta 248 similar schools with a student population of 168,000 and in British Columbia 220 similar schools with a student population of 199,000. The potential market therefore in those provinces is 1,570 secondary and similar schools with a total student population of 1,037,000.

There are presently 24 Secondary Schools in Ontario with which Stockcross has contracts. In addition, 104 Secondary Schools in Ontario and 17 in Manitoba are committed to use of the system commencing with

the 1969-70 school year. A number of the commitments with Ontario schools made by local school boards must be ratified by the new Area Boards of Education set up on January 1, 1969, by the Ontario Government.

Industrial Consulting

Development

The Company has, since its incorporation, rendered computer consulting services to industrial and commercial clients. The Company has designed and implemented a variety of systems including general accounting systems, complex planning models involving advanced information retrieval techniques, marketing, distribution and inventory control systems.

Current Operations

The Company's services include the analysis, design and implementation of computer programs for clients presently using or planning to use computers. Primarily, assistance is given in the overall design of major computer systems, followed by active participation in the detailed design, programming and implementation of the system. Industrial consulting contracts completed or being carried out include the following:

- (a) consulting services to clients concerned with the feasibility of installing a new computer or expanding present computer systems;
- (b) undertaking the development of computer applications on a contract basis, either for a client's total system or for an individual application within a client's system;
- (c) studies of mathematical and logical techniques applicable to operations research and implementation of the results of such studies by developing appropriate computing models;
- (d) management of a client's data processing installation and assumption of complete responsibility for systems development and computer operations; and
- (e) custom software design including modification of manufacturer-supplied software.

The Company's industrial consulting clients include major companies in the fields of manufacturing, consulting engineering, gas utility, baking, brewing and the Government of the Province of Ontario.

Expansion Program

Education Consulting

Following the successful implementation of "System S.O.S." in 24 Secondary Schools in the Province of Ontario, Stockcross plans as part of its expansion program to make the system available to Secondary Schools in the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia. It is planned to establish branch operations during 1969 in Winnipeg, Regina, Calgary and Vancouver. The staffing of these branch offices will initially be carried out by using existing personnel resources in Toronto to provide branch managers and obtaining necessary consulting staff in the respective provinces. By the end of 1969, operations of Stockcross in the western provinces will be carried out from four branch offices under the direction of a manager for Western Canada, situated in Calgary. The personnel will consist of four Provincial Managers and seven consultants. The planned western expansion will make it necessary to increase the Toronto head office staff by three "maintenance" computer programmers.

Industrial Consulting

In order to fulfil present commitments and facilitate anticipated expansion of the industrial consulting business, it will be necessary to convert at least ten of the now free-lance staff to full-time consultants by June 1, 1969.

Further expansion by June 1, 1969 into the manufacturing consulting area is contemplated through the addition to the Company's present capabilities of a group of four manufacturing specialists all of whom

will be professional engineers. This group will act as consultants in the areas of production planning and control, facility loading, material explosion, and process control.

The Company plans to lease space in a new building presently under construction in the Don Mills area of Metropolitan Toronto sufficient to accommodate the increased personnel of the Company as required by the planned expansion of both phases of the business.

USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the securities offered hereby amounting to \$460,000 before expenses will be added to the working capital of the Company for use in the expansion of the Company's business, details of which are given under the heading "Expansion Program" on page 6 hereof, except for \$25,000 which will be used to repay demand loans made to the Company and Stockcross.

Approximately one-half of the balance of the proceeds will be used in expansion of the education consulting business of the Company and one-half in expansion of the industrial consulting business of the Company.

CAPITALIZATION

| Designation of Security | Outstanding September 30, 1968 | Outstanding December 31, 1968 | Outstanding after financing(1) |
|--|-----------------------------------|----------------------------------|-----------------------------------|
| Debt of the Company (2) | | | |
| Bank loan (secured) | \$ 2,386 | \$ — | \$ — |
| Demand loan (secured) | — | \$10,000 | — |
| Debt of Subsidiary (3) | | | |
| Bank loan (secured) | — | \$15,000 | — |
| Minority interest in Subsidiary | \$12,403 | \$12,403 | — |
| less share subscription receivable | \$(3,403) | — | — |
| CAPITAL STOCK (4) | | | |
| <i>Authorized:</i> | | | |
| 1,000,000 shares without par value | | | |
| (5) | \$10,007 | \$10,007 | \$475,907 |
| | (327,000 shares) | (327,000 shares) | (542,900 shares) |

NOTES:

- (1) This column gives effect to transactions described in note 1 to the financial statements appearing on page 14 of this prospectus, including the issue after December 31, 1968 of 15,900 shares of the Company in exchange for 1,590 common shares of the Subsidiary not then owned by the Company and to the repayment of loans to the Company in the amount of \$25,000.
- (2) The bank loan was and the demand loan is secured by general assignments of book debts of the Company as described in note 4 to the financial statements.
- (3) The bank loan of the subsidiary is secured by assignment of consulting contracts.
- (4) The above table gives effect to the issue of supplementary letters patent dated December 31, 1968, subdividing the issued capital of the Company and changing and increasing its authorized capital.
- (5) 50,000 shares have been reserved for issuance under the Employees' Stock Option Plan referred to on page 11.
- (6) Reference is made to note 7 to the financial statements for details of lease commitments.

DIRECTORS AND OFFICERS

The names and home addresses of the directors and officers of the Company, the positions and offices held by each with the Company, and their principal occupations within the past five years are as follows:

| <u>Name and Address</u> | <u>Office or Position</u> | <u>Principal Occupation</u> |
|--|-----------------------------------|---|
| ANDREW CARSE 130 Niagara Street, Welland, Ontario. | Director | President of Automotive Industrial Products Manufacturer |
| GENE ERNST DANNE 4191 Spruce Avenue, Burlington, Ontario. | President and Director | President of the Company |
| ROBERT KURT ISSERSTEDT Kappelistrasse 41, Zurich, Switzerland. | Vice-President and Director | Vice-President of the Company |
| JOHN ARTHUR PEQUEGNAT 154 Inglewood Drive, Toronto 7, Ontario. | Director | Investment Dealer, Wills, Bickle & Company Limited |
| SIMON BERNARD SCOTT 296 William Street, Oakville, Ontario. | Secretary and Director | Solicitor, Borden, Elliot, Kelley & Palmer |
| ALASTAIR STEVENSON 165 St. Leonards Avenue, Toronto 12, Ontario. | Director | Investment Dealer, Wills, Bickle & Company Limited |
| ROBERT WILLIAM SYDIAHA 6 Colwick Drive, Willowdale, Ontario. | Vice-President and Director | Vice-President of the Company |

All of the foregoing have held their present principal occupations during the last five years except as follows:

Mr. Danne was Vice-President of Commercial and Technical Computer Services (Ontario) Limited from September, 1966 to March, 1967. Prior thereto, he had been engaged in computer marketing and/or consulting with the following companies: Honeywell Controls Limited, E.D.P. Division (from September, 1965 to August, 1966); Univac Division of Sperry Rand Canada Limited (from August, 1964 to July, 1965); and National Cash Register Company of Canada Limited (from July, 1958 to August, 1964).

Mr. Isserstedt was from October, 1966 to March, 1967 Manager of Operations of Commercial and Technical Computer Services (Ontario) Limited. Prior thereto he was Market Research Analyst with Shell Canada Limited.

Mr. Scott is a solicitor practising with the law firm of Borden, Elliot, Kelley & Palmer, and prior to March 1, 1966, he was a law student.

Mr. Sydiaha was, until his appointment as Vice-President of the Company in November, 1968, Data Processing Manager for Massey-Ferguson Industries Limited, a post held since November, 1967. From May, 1966 to that time he was Director of Marketing Support, Honeywell Controls Limited. Prior thereto he was Senior Sales Engineer with Univac Division of Sperry Rand Canada Limited.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Company, including that paid by Stockcross, to the senior officers of the Company and Stockcross during the 12 months ended June 30, 1968 was \$43,848 and during the six month period ended December 31, 1968, was \$41,929. No direct remuneration was paid or is payable by the Company or Stockcross to the respective directors as such.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No material transactions have taken place within the period of three years preceding the date of this prospectus or are proposed in which any director or senior officer of the Company or shareholder of the Company named under the heading "Principal Holders of Shares" or any associate or affiliate of any such persons has had or will have an interest except the following:

On November 8, 1967, Messrs. Danne and Isserstedt, who at such date owned or controlled all the shares of the Company, caused the Company to acquire all the shares then issued and outstanding of Stockcross, such shares being owned or controlled equally by Mr. Danne, Mr. Isserstedt and a third individual no longer associated with the Company. In return, Messrs. Danne and Isserstedt transferred a one-third interest in the shares of the Company then held by them as fully paid and non-assessable to the other shareholder of Stockcross. All of the shares of Stockcross were contributed to the Company without cost to the Company. Messrs. Danne and Isserstedt have subsequently acquired the shares of the Company owned by such individual.

PRINCIPAL HOLDERS OF SHARES

As of February 14, 1969, the following are the only shareholders of the Company who, to the knowledge of the Company, own, of record or beneficially, directly or indirectly, more than 10% of the outstanding shares of the Company:

| <u>Name and Address</u> | <u>Type of Ownership</u> | <u>Number of Shares Owned</u> | <u>Percentage as of January 7, 1969</u> | <u>Percentage to be owned following completion of financing</u> |
|--|-------------------------------|-------------------------------|---|---|
| Gene E. Danne * 4191 Spruce Avenue, Burlington, Ontario. | Beneficially and of record | 120,000 | 34.9% | 22.1% |
| Robert K. Isserstedt Kappelistrasse 41, Zurich, Switzerland. | Beneficially and of record | 130,000 | 37.9% | 23.9% |

* In addition, Mr. Danne's wife owns 10,000 shares of the Company.

As of February 14, 1969, 288,000 shares in the capital of the Company were beneficially owned directly or indirectly, by all the directors and senior officers of the Company or members of their respective families representing 83.7% of the then issued and outstanding shares. Upon completion of this financing such shares will represent 53% of the issued and outstanding shares.

The foregoing shares are subject to the provisions of an Escrow Agreement described under the heading "Escrowed Shares" on page 10 hereof.

As of February 14, 1969, 19,500 shares in the capital of the Company were beneficially owned by James G. Worts, Jr., representing 5.7% of the then issued and outstanding shares which will represent 3.6% of the shares to be outstanding upon completion of this financing. Mr. Worts is a shareholder and director of the Underwriter.

PRIOR SALES

Within the last 12 months, the Company made no sales of shares, other than the issuance of 15,900 shares as fully paid and non-assessable in consideration for the transfer to the Company of 1,590 common shares without par value of Stockcross, being all the issued and outstanding shares of Stockcross not previously owned by the Company. The directors fixed the value of the shares so issued by the Company at \$1 per share.

ESCROWED SHARES

An Escrow Agreement dated February 14, 1969, between Gene E. Danne, M. Patricia Danne, Robert K. Isserstedt and Robert W. Sydiaha of the first part, and The Canada Trust Company, as escrow agent, of the second part provides, inter alia, that 288,000 shares of the Company will be placed in escrow at or before the closing of the underwriting of the shares offered hereby. The Escrow Agreement provides that the shares may only be released from escrow with the consent of the Ontario Securities Commission. The Escrow Agreement also provides that no transfer, hypothecation or other alienation will be made within the escrow without the prior written consent of the Ontario Securities Commission.

PLAN OF DISTRIBUTION

By an Agreement dated February 14, 1969, with Wills, Bickle & Company Limited (the "Underwriter"), the Company has agreed to sell and the Underwriter has agreed to purchase the 200,000 shares offered hereby for an aggregate consideration of \$460,000. The obligations of the Underwriters are subject to the fulfilment of legal requirements and certain other terms and conditions stated in such Agreement.

DESCRIPTION OF SHARE CAPITAL

The capital of the Company consists of 1,000,000 shares without nominal or par value (herein sometimes called the "shares"). All the shares have equal rights and privileges with respect to dividends, voting, and distribution on liquidation. Holders of shares are entitled to dividends as and when declared by the directors, and to one vote for each share held. Upon liquidation, dissolution or winding up of the Company or distribution of its assets, holders of shares are entitled to participate rateably in the distribution of the balance, if any, of the assets of the Company after payment of all liabilities.

At the date of this prospectus there are 342,900 shares of the Company outstanding all of which are fully paid and non-assessable. Upon completion of the purchase and sale of the 200,000 shares offered hereby there will be 542,900 shares outstanding as fully paid and non-assessable.

DIVIDEND RECORD

Neither the Company nor Stockcross has paid any dividends since the respective dates of their incorporation.

SPECULATIVE NATURE OF SECURITIES

Any investment in the shares hereby offered may be considered as speculative, since the operations of the education consulting business of Stockcross have not yet generated significant revenues.

On the completion of the sale of shares offered hereby, the 200,000 shares being underwritten will comprise approximately 36.8% of all the shares which will be issued and outstanding.

Dilution Factor

Attention is drawn to the fact that prior to the completion of the financing there were outstanding 342,900 shares with a book value of 13.5 cents per share, of which 303,000 shares were issued upon incorporation of the Company, 24,000 shares were issued prior to commencement of the marketing of the schools timetable system developed by the Company and 15,900 were issued in exchange for 1,590 common shares of Stockcross acquired by the Company in January, 1969. Upon completion of the financing there will be 542,900 shares outstanding having a book value of 91 cents per share.

PROMOTERS

Gene E. Danne, Robert K. Isserstedt, and Kenneth F. Dunmow, an individual no longer associated with the Company or Stockcross, are deemed to be promoters under the definition of "promoter" contained in The Securities Act, 1966 of Ontario. While no amount has been paid or is intended to be paid to them as promoters, payments have been made to them in consideration of their services as officers and full time employees of the Company. The amounts of such payments made or to be made to Messrs. Danne and Isserstedt since July 30, 1967 are included in the amounts disclosed under the heading "Remuneration of Directors and Senior Officers" on page 9 of this prospectus.

Both Mr. Danne and Mr. Isserstedt purchased shares from the Company. In July, 1967, Mr. Danne purchased ninety-eight common shares as then constituted for a consideration of ninety-eight cents and Mr. Isserstedt purchased ninety-nine common shares as then constituted for a consideration of ninety-nine cents. At that time, the book value of such shares was nominal since the Company had not generated significant amounts of revenue.

EMPLOYEES' STOCK OPTION PLAN

On February 18, 1969 the Company established an Employees' Stock Option Plan authorizing the directors of the Company to grant to officers and other full-time employees of the Company and of Stockcross options to purchase up to an aggregate of 50,000 shares of the Company. Under the Plan five-year options may be granted, exercisable cumulatively, as to approximately one-fifth of the shares covered thereby at any time during each year of the term of the option, at prices being the greater of 1) \$2.50 per share and 2) the market price on the date of the grant of the option less ten per cent thereof ("market price" being specified as the average of the bid and asked prices for the shares on the previous three business days, or, if the shares are then listed on a recognized stock exchange in Canada, the average sale price for board lots of the shares on such stock exchange on the business day next preceding the day on which the option is granted).

Options expiring February 15, 1974 to purchase an aggregate of 14,000 shares at \$2.50 per share have been granted under the Plan to eight existing employees of the Company. In addition, options expiring February 15, 1974 to purchase an aggregate of 21,000 shares at \$2.50 per share have been granted under the Plan to four management personnel who have entered into employment contracts with the Company commencing, in three cases, on March 1, 1969 and, in one case, on April 1, 1969. The latter options are conditional upon the individuals to whom the options have been granted becoming full-time employees of the Company in accordance with their employment contracts.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company or Stockcross within the two years prior to the date hereof which can reasonably be regarded as presently material to the purchasers of the shares offered hereby are the following:

1. A lease dated February 14, 1968, between Radio Properties Limited and the Company, providing for the lease of premises at 1262 Don Mills Road, Toronto, Ontario, for a term of five years from April 15, 1968.
2. Agreements between the Company and C. J. M. Dawson, K. R. Sweeney, C. B. Seeley, T. E. Carnochan, R. G. McMichael, and J. R. McNeill, respectively, all dated in November, 1968, providing for the acquisition by the Company of an aggregate of 1,590 common shares without par value of Stockcross held by such persons, in exchange for the issuance of 15,900 fully paid and non-assessable shares in the capital of the Company as reconstituted.
3. Employment contracts with Messrs. Danne, Isserstedt, Sydiaha and Cadeau as more particularly described under the heading "Management" on page 3 hereof.
4. An underwriting agreement referred to under the heading "Plan of Distribution" on page 10 hereof.

Copies of the foregoing contracts may be examined during normal business hours at the head office of the Company at 1262 Don Mills Road, Don Mills, Ontario, during the period of primary distribution to the public of the shares offered by this prospectus and for a period of 30 days thereafter.

AUDITORS

The auditors of the Company and Stockcross are Price Waterhouse & Co., Chartered Accountants, Toronto-Dominion Centre, Toronto 1, Ontario.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's shares is The Canada Trust Company, 110 Yonge Street, Toronto 1, Ontario.

THE HUNTINGTON-ROCKFORD CORPORATION LIMITED
AND SUBSIDIARY COMPANY

Consolidated Balance Sheet

A S S E T S

| | June 30, 1968 | September 30, 1968 (unaudited) | Pro Forma September 30, 1968 (unaudited) (Note 1) |
|---|------------------|--------------------------------------|---|
| Current Assets: | | | |
| Cash | \$ 3,904 | \$ — | \$451,017 |
| Accounts receivable | 2,928 | 24,356 | 24,356 |
| Total current assets | 6,832 | 24,356 | 475,373 |
| 6% Mortgage loan to a director, due February 1, 1974 | 7,300 | 7,300 | 7,300 |
| Office furnishings and equipment, at cost less accumulated depreciation June 30 — \$1,824; September 30 — \$2,322 | 7,295 | 7,642 | 7,642 |
| Other Assets: | | | |
| Deferred development costs (Note 3) | 60,000 | 60,000 | 60,000 |
| Incorporation fees | 1,031 | 1,031 | 1,031 |
| Total other assets | 61,031 | 61,031 | 61,031 |
| Total assets | <u>\$82,458</u> | <u>\$100,329</u> | <u>\$551,346</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | | |
|---|-----------------|------------------|------------------|
| Current Liabilities: | | | |
| Bank overdraft (secured — Note 4) | \$ — | \$ 2,386 | \$ — |
| Accounts payable and accrued liabilities | 18,061 | 28,140 | 28,140 |
| Loans payable to employees | 15,000 | 15,000 | 15,000 |
| Advances from directors | 4,356 | 4,356 | 4,356 |
| Total current liabilities | 37,417 | 49,882 | 47,496 |
| Deferred income taxes (Note 5) | 6,950 | 6,950 | 6,950 |
| Minority interest in subsidiary company net of share subscriptions due from minority shareholders June 30 — \$9,403; September 30 — \$3,403 | 3,000 | 9,000 | — |
| Excess of equity in subsidiary company at acquisition over cost of investment | 4,190 | 4,190 | 693 |
| Shareholders' Equity: | | | |
| Capital stock — | | | |
| Authorized — | | | |
| 3,600 7% non-cumulative, redeemable preference shares with a par value of \$10 each | | | |
| 4,000 common shares without par value | | | |
| Issued — | | | |
| 327 common shares | 10,007 | 10,007 | — |
| Pro Forma — | | | |
| Authorized — | | | |
| 1,000,000 shares without par value | | | |
| Issued — | | | |
| 542,900 shares (Note 6) | — | — | 485,907 |
| Retained earnings | 20,894 | 20,300 | 10,300 |
| Total shareholders' equity | 30,901 | 30,307 | 496,207 |
| Total liabilities and shareholders' equity | <u>\$82,458</u> | <u>\$100,329</u> | <u>\$551,346</u> |

Approved on behalf of the Board:

(Signed) "Gene Danne", Director

(Signed) "R. Isserstedt", Director

**THE HUNTINGTON-ROCKFORD CORPORATION LIMITED
AND SUBSIDIARY COMPANY**

**Consolidated Statement of Revenue and Expenditure
and Retained Earnings**

| | Period from Incorporation March 15, 1967 to June 30, 1968 | Three months ended September 30, 1968 (Unaudited) |
|---|---|--|
| Revenue from consulting services: | | |
| Industrial | \$ 80,744 | \$15,995 |
| Operation of school timetabling system | 6,875 | 25,759 |
| | <u>87,619</u> | <u>41,754</u> |
| Expenditure: | | |
| Salaries, commission and employee benefits | 60,444 | 18,296 |
| Equipment rental | 6,359 | 9,062 |
| Depreciation | 1,670 | 498 |
| Advertising, promotion and travel | 15,366 | 2,584 |
| Car leases and expenses | 10,091 | 2,911 |
| Consulting fees | 3,264 | 445 |
| General office expenses | 5,795 | 2,084 |
| Printing, postage and stationery | 5,614 | 1,724 |
| Rent | 7,332 | 3,325 |
| Telephone | 3,840 | 1,019 |
| Interest | — | 400 |
| | <u>119,775</u> | <u>42,348</u> |
| Less: Deferred development costs (Note 3) | 60,000 | — |
| | <u>59,775</u> | <u>42,348</u> |
| Profit (loss) before provision for income taxes | 27,844 | (594) |
| Provision for income taxes | 6,950 | — |
| Net profit (loss) for the period | 20,894 | (594) |
| Retained earnings at beginning of period | — | 20,894 |
| Retained earnings at end of period | <u>\$ 20,894</u> | <u>\$20,300</u> |

Consolidated Statement of Source and Application of Funds

| | Period from Incorporation March 15, 1967 to June 30, 1968 | Three months ended September 30, 1968 (Unaudited) |
|--|---|--|
| Funds were provided by: | | |
| Net profit (loss) for the period | \$ 20,894 | \$ (594) |
| Add — expenses which do not require a current outlay of funds: | | |
| Depreciation | 1,670 | 498 |
| Deferred income taxes | 6,950 | — |
| | <u>29,514</u> | <u>(96)</u> |
| Proceeds from issue of shares: | | |
| The Company | 10,007 | — |
| Subsidiary company | — | 6,000 |
| Working capital of subsidiary company acquired during the period | 6,000 | — |
| | <u>45,521</u> | <u>5,904</u> |
| Funds were used for: | | |
| Mortgage loan to a director | 7,300 | — |
| Acquisition of office furniture and equipment | 8,349 | 845 |
| Deferred development costs | 60,000 | — |
| Incorporation fees | 457 | — |
| | <u>76,106</u> | <u>845</u> |
| Increase (decrease) in working capital for the period | <u>\$ (30,585)</u> | <u>\$ 5,059</u> |

THE HUNTINGTON-ROCKFORD CORPORATION LIMITED
AND SUBSIDIARY COMPANY

Notes to Consolidated Financial Statements

June 30, 1968 and September 30, 1968 (unaudited)

1. The pro forma consolidated balance sheet is after giving effect as at September 30, 1968, to the following:
 - (a) The issue of supplementary letters patent dated December 31, 1968 subdividing the 327 issued common shares of the Company into 327,000 shares without par value; converting 3,600 unissued preference shares into 36,000 shares without par value; increasing the authorized capital to 1,000,000 shares without par value; converting the Company from a private to a public company; and changing the name of the Company to The Huntington-Rockford Corporation Limited;
 - (b) The acquisition by the Company of the 1,590 common shares of the subsidiary company not held by the Company in consideration for the issue to the holders thereof of 15,900 shares of the Company as fully paid, the value of the shares so issued being fixed by the Directors at \$1.00 per share;
 - (c) The sale to the Underwriter of 200,000 shares of the Company for an aggregate cash consideration of \$460,000, which amount has been credited to share capital as consideration for the issue of the 200,000 shares;
 - (d) Receipt by the subsidiary company of share subscriptions due from minority shareholders in the amount of \$3,403;
 - (e) Elimination of the bank overdraft in the amount of \$2,386;
 - (f) Reduction of retained earnings for estimated expenses of issue in the amount of \$10,000.
2. The assets and liabilities and results of operations of the subsidiary company have been consolidated with those of the Company effective from June 30, 1968. The Company's share of earnings of the subsidiary company prior to that date were not significant.
3. Deferred development costs represent the estimated cost of the design and preparation of the Company's timetable, report card and attendance reporting system developed for secondary schools. The costs have been deferred since the system was essentially ready for installation but had not generated significant amounts of revenue by September 30, 1968. It is expected that such costs will be amortized against revenue over the years 1969 and 1970.
4. The Company made a general assignment of book debts in favour of its bankers as security for loans. This assignment has been released. Subsequent to September 30, 1968 a general assignment of book debts has been made to secure a demand loan to the Company in the amount of \$10,000. Subsequent to September 30, 1968, the subsidiary company has obtained a bank loan in the amount of \$15,000 secured by the assignment of consulting contracts.
5. Deferred income taxes result from the claiming of deferred development costs for income tax purposes for the year ended June 30, 1968. This results in a loss for income tax purposes for 1968 and accordingly no tax is currently payable on the accounting profit. The tax presently deferred could become payable in a later year when the deferred costs are recorded as expenses for accounting purposes but will not be allowable for income tax purposes.
6. 50,000 shares of the Company have been reserved for issuance under the Employees' Stock Option Plan of the Company. Options expiring on February 15, 1974 have been granted under the Plan covering an aggregate of 35,000 shares at \$2.50 per share. See "Employees' Stock Option Plan" on page 11 of this prospectus.
7. The Company has a commitment under a lease expiring in April, 1973 for the payment of \$10,800 per annum as rent on office premises.

AUDITORS' REPORT

To the Directors of
The Huntington-Rockford Corporation Limited:

We have examined the consolidated balance sheet of The Huntington-Rockford Corporation Limited and subsidiary company as at June 30, 1968 and the consolidated statements of revenue and expenditure and retained earnings and source and application of funds for the period from incorporation, March 15, 1967 to June 30, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1968 and the results of their operations and the source and application of their funds for the period from incorporation, March 15, 1967 to June 30, 1968, in accordance with generally accepted accounting principles.

(Signed) "PRICE WATERHOUSE & Co."
Chartered Accountants.

TORONTO, February 18, 1969.

PURCHASER'S STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1966 of Ontario provides, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to Sections 63 and 64 of The Securities Act, 1966 of Ontario for the complete text of the provisions under which the above-mentioned rights are conferred.

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 of Ontario and the regulations thereunder.

Toronto, February 18, 1969

(Signed) "Gene Danne"

Chief Executive Officer

(Signed) "R. Isserstedt"

Chief Financial Officer

On behalf of the Board of Directors

(Signed) "Robert W. Sydiaha"

(Signed) "Simon B. Scott"

Promoters

(Signed) "Gene Danne"

(Signed) "R. Isserstedt"

CERTIFICATE OF THE UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 of Ontario and the regulations thereunder.

Toronto, February 18, 1969

WILLS, BICKLE & COMPANY LIMITED

By (Signed) "A. Stevenson"

The following includes the names of all persons having an interest directly or indirectly to the extent of not less than 5% in the capital of Wills, Bickle & Company Limited: Alastair Stevenson, John A. Pequegnat, Peter S. Gooderham, George Ollerenshaw, Carleton R. Slipp, Jeremy M. Colman, Edwin J. Robertson.